

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 186 - HB 1267**

February 26, 2023

**SUMMARY OF BILL:** Adds an adopted child, stepchild, or relative related by blood or marriage to the lists of persons an active uniformed service member, a member of the Tennessee national guard, or a reserve member of a uniformed service of the United States stationed in Tennessee can jointly title and register a motor vehicle with in order to qualify for a sales and use tax exemption on the sale of said motor vehicle.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact –**

**Exceeds \$331,700/FY23-24 and Subsequent Years**

**Decrease Local Revenue – Net Impact –**

**Exceeds \$13,700/FY23-24 and Subsequent Years**

**Assumptions:**

- Pursuant to Tenn. Code Ann. § 67-6-303(c), spouses and lineal relatives can currently jointly title and register a motor vehicle with an active service member, a Tennessee national guard member, or a reserve member of a uniformed service of the United States stationed in Tennessee, in order to qualify for a sales and use tax exemption for the motor vehicle.
- The proposed legislation would give adopted children, stepchildren, and all relatives related by blood or marriage the same privileges given to spouses and lineal relatives in Tenn. Code Ann. § 67-6-303(c).
- The number of vehicles sold that will qualify for a sales and use tax exemption as a result of this extension of privileges is unknown.
- According to Kelly Blue Book, the average new car sold for \$49,507 in December 2022, while the average used car sold for \$27,143 in December 2022.
- According to Cox Automotive, approximately 13,900,000 new cars were sold in 2022, while approximately 36,200,000 used cars were sold in 2022; therefore, for the purposes of this analysis, it assumed for every two new cars sold, there are approximately three used cars sold.
- Assuming that at least 40 new cars and 110 used cars, or a total of 150 cars, will receive a sales and use tax exemption as a result of the proposed legislation each year, total sales of such vehicles would exceed \$5,000,000 annually.

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- The Tennessee single article tax on the price of goods over \$1,600 and below \$3,200 is effectively \$44  $[(\$3,200 - \$1,600) \times 2.75\% \text{ single article tax}]$ .
- The local tax rate is only applicable to the first \$1,600 of the sale, making the effective local option sales tax cap \$40  $(\$1,600 \times 2.5\%)$ .
- The recurring decrease in state revenue is estimated to exceed \$343,941  $[(\$5,000,000 \times 7.0\%) - (\$5,000,000 \times 7.0\% \times 3.617\%) + (150 \times \$44)]$ .
- The recurring decrease in local revenue is estimated exceed \$18,660  $[(\$5,000,000 \times 7.0\% \times 3.617\%) + (150 \times \$40)]$ .
- Fifty percent of tax savings, or at least \$181,301  $[(\$343,941 + \$18,660) \times 50\%]$ , will be spent in the economy on other sales-taxable goods and services.
- The increase in state sales tax collections is estimated to exceed \$12,232  $[(\$181,301 \times 7\%) - (\$181,301 \times 7\% \times 3.617\%)]$  in FY23-24 and subsequent years.
- The increase in local sales tax collections is estimated to exceed \$4,992  $[(\$181,301 \times 2.5\%) + (\$181,301 \times 7\% \times 3.617\%)]$  in FY23-24 and subsequent years.
- The net recurring decrease in state revenue as a result of the proposed legislation is estimated to exceed \$331,709  $(\$343,941 - \$12,232)$  in FY23-24 and subsequent years.
- The net recurring decrease in local revenue as a result of the proposed legislation is estimated to exceed \$13,668  $(\$18,660 - \$4,992)$  in FY23-24 and subsequent years.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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